

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3290-01  
Bill No.: HB 1754  
Subject: Higher Education  
Type: Original  
Date: March 17, 2006

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue *	(\$2,140,171)	(\$4,242,747)	(\$4,243,817)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>(\$2,140,171)</b>	<b>(\$4,242,247)</b>	<b>(\$4,243,817)</b>

\* subject to appropriation

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The estimated fiscal impact of this legislation to the SOS for Administrative Rules is less than \$1,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from **Missouri State University, Lincoln University, Linn State Technical College,** and the **Metropolitan Community College** assume this proposal would have no fiscal impact to their organizations.

Officials from **Truman State University,** and **St. Charles Community College** assumed that a similar proposal would have no fiscal impact to their organizations.

ASSUMPTION (continued)

Officials from the **Department of Higher Education** (DHE) assume the proposed legislation would create the "Associate Degree Transfer Incentive Scholarship Program" to provide scholarships to public 2-year institution graduates continuing their education at public 4-year institutions. DHE would be responsible for promulgating rules and regulations for this program, establishing rules that limit the funds to be used for administrative costs, determining need and dispersing funds to institutions.

The number of associate degrees conferred by the public two- and four-year institutions in Missouri for FY 2005 is 8,733. However, it is difficult to determine the number of eligible recipients who would qualify as the participating institutions' eligibility requirements, which include need, are unknown at this time. In addition, the number of those who would take advantage of this program is also unknown. Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2007 that a minimum of 2,183 (25% of those receiving associate degrees) students qualify for this program.

At the minimum award amount of \$1,000 per student, the first year of grants would total \$2,183,000. For subsequent years the cost rises exponentially to account for returning students. Therefore, in FY 2008 and FY 2009 the total would double to \$4,366,000 to include the returning students and a group of new students and to account for the four semester eligibility limit. The number of recipients may exceed 2,183, which would increase the costs in any given fiscal year. In addition, the award amount of \$1,000 is not capped at this level; this is the minimum amount. Any increase in the number of recipients or award amount would result in a larger fiscal cost.

DHE assumes that 1.0 FTE Research Associate position at an estimated salary of \$35,000 plus associated expense and equipment would be needed beginning in FY 2007. This Research Associate would be responsible for overall administration of this program, including reviewing institutional eligibility requirements and working with participating institutions in order to distribute funds accurately and smoothly.

Information provided by the Department of Higher Education indicated that 2,272 associate degree recipients enrolled at four-year institutions in FY 2005; however, information was not available as to the number of students who might be eligible for this program.

ASSUMPTION (continued)

**Oversight** has, for fiscal note purposes only, changed the starting salary for the new position to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted expense and equipment estimates in accordance with Office of Administration budget guidelines. Oversight assumes that 2,100 additional students per year would qualify for and receive the scholarships, and that the program would be implemented at the minimum award amount of \$1,000.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Higher Education</u>			
Personal Service (1 FTE)	(\$23,550)	(\$29,459)	(\$30,195)
Fringe Benefits	(\$10,376)	(\$12,979)	(\$13,304)
Expense and Equipment	(\$6,245)	(\$309)	(\$318)
Scholarships *	<u>(\$2,100,000)</u>	<u>(\$4,200,000)</u>	<u>(\$4,200,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	<b><u>(\$2,140,171)</u></b>	<b><u>(\$4,242,747)</u></b>	<b><u>(\$4,243,817)</u></b>
* subject to appropriation			

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

This proposal would create an "Associate Degree Transfer Incentive Scholarship Program" for Missouri. A separate fund would be established for the program and administered by the State Treasurer. The Coordinating Board for Higher Education would establish the program, and any moneys appropriated by the General Assembly for this program would be distributed to participating public four-year Missouri colleges or universities to provide scholarships for citizens of this state who transfer from a public Missouri community college to a participating public four-year Missouri college or university under the provisions of this section.

The Coordinating Board for Higher Education would promulgate rules to implement the provisions of this section. A student would be eligible for a scholarship if the student completed an associate of arts degree, or another degree that contained forty-two credit hours of general education core curriculum, at a community college or other two-year institution located in Missouri and recognized by the Department of Higher Education to confer associate degrees.

Funds for the program would be distributed to participating institutions on a pro rata basis according to the number of eligible two-year transfer students at each institution. Individual public four-year Missouri colleges or universities could apply to the Coordinating Board for Higher Education for funds to offer scholarships under this program. Scholarships would be available for a maximum of four semesters, and a minimum annual scholarship level of one thousand dollars which may be prorated based upon available funds.

In implementing the Associate Degree Transfer Incentive Scholarship Program, the Coordinating Board for Higher Education would develop procedures governing the distribution of available moneys to scholarship applicants at institutions that participate in the statewide articulated associate of arts degree in the following order:

- Institutions that have in place transfer and articulation agreements for the completion of bachelor's degree programs that have been accredited by a recognized programmatic accrediting organization, to which associate-degree holding applicants have been accepted;
- Institutions that have in place transfer and articulation agreements for the completion of bachelor's degree programs to which associate-degree holding applicants have been accepted;
- Other public four-year institutions as deemed appropriate by the Coordinating Board for Higher Education.

ASSUMPTION (continued)

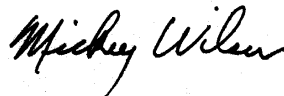
Each institution offering a scholarship under this section would develop and publish application procedures, deadlines, award amounts, and any other features unique to the receiving institution. Each such institution would establish criteria for scholarship continuation that recognize obstacles that may be faced by a transfer student at that institution. The primary criterion would be financial need, as determined by a method established by the Coordinating Board for Higher Education. Scholarships may be pro-rated for part-time students. Each institution would submit to the general assembly an annual report, subject to audit, of the use and distribution of scholarship funds.

The provisions of this program would automatically sunset six years after the effective date of this proposed legislation unless reauthorized by an act of the General Assembly; and if such program is reauthorized, the program would automatically sunset twelve years after the effective date of the reauthorization of this section; and the program would terminate on September first of the calendar year immediately following the calendar year in which the program authorized under this section is sunset.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Department of Higher Education  
Missouri State University  
Lincoln University  
Linn State Technical College  
Metropolitan Community College



Mickey Wilson, CPA

Director  
March 13, 2006